

Message Text

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PLEASE PASS OPIC

GUAT FOR AGATT

E.O. 11652: N/A

TAGS: EFIN, EAGR, HO

SUBJECT: AGRARIAN REFORM LAW: MEATPACKING

REF: A) TEGUCIGALPA 2788, B) STATE 150951

1. UNDER A HEADLINE "PACKING PLANTS EXPECT BACKRUPTCY IF GUARANTIES ARE NOT REESTABLISHED IN AGRICULTURE," LA PRENSA REPORTS AN INTERVIEW WITH ARMANDO ERAZO, PRESIDENT OF THE PACKERS ASSOCIATION IGHS, (INDUSTRIA GANADERO PONDURENA: SA). THE OFFICIAL STATES THAT HONDURAN CAPITAL OF 9 MILLIION DOLLARS AND A 19.5 MILLION DOLLAR BORROWING (99 PERCENT FOREIGN) INDICATE THE SIZE OF INVESTMENT MADE BY THE PACKERS. UNLESS THERE ARE ADEQUATE LAND GUARANTEES, OR A RECTIFICATION OF THE AUTHORITIES THAT HAVE TO APPLY THE AGRARIAN REFORM LAW, CREDITS FROM BANKS WILL DRY UP AND FAILURE OF THE INDUSTRY WILLRESULT.

2. FROM AC EXPORT LEVEL OF 45 MILLION POUNDS IN1973, TPE PROGRNOSTICATION FOR 1975 IS 20 MILLION POUNDS. ERAZO STATES THAT CONFUSION ABOUT THE AGRARIAN REFORM
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LAW TAKING LAND FOR CAMPESINOS AND INABILITY TO OBTAIN

CREDITS CAUSES UNCERTAINTY. THE LAW DEMANDS DEVELOPMENT OF THE LAND BUT THERE ARE NEITHER FINANCIAL RESOURCES NOR THE SECURITY TO OBTAIN THEM. PE STATES THERE ARE RANCHERS WHO HAVE SPENT 50 YEARS BUILDING THEIR RANCHES WHO ARE NOW OBLIGATED BY LAW TO MAINTAIN 3,000 HEAD OF CATTLE ON 350 HECTARES. IF THERE IS NO OTHER ALTERNATIVE, THE RANCHERS WILL DISMANTLE THEIR OPERATIONS.

3. THE FALL OF INTERNATIONAL BEEF PRICES ALSO HAS REDUCED PRODUCTION INCENTIVES.

4. ERAZO STATES THE PREVIOUS GOVERNMENT HAD GIVEN A CONSENSUS AGREEMENT MARCH 11, 1975 INCLUDING TREATMENT OF THE PACKERS UNDER ARTICLE 39 OF THE AGRICULTURE LAW. HOWEVER THE MELGAR GOVERNMENT HAS YET TO RECOGNIZE THAT AGREEMENT IN WHICH DIRECTOR OF THE AGRARIAN INSTITUTE, MALDONADO WAS A PARTY. TO THE CONTRARY: STATES ERAZO, MALDONADO INSISTS UPON APPLYING THE LAW WITHOUT REGARD TO ARTICLE 39 AND THE REGULATIONS.

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5. COMMENT: THE INTERVIEW AMPLIFIES VIEWS REPORTED REFTEL A. FIVE WEEKS AGO AND IN PART, SEEKS TO FORCE RESPONSE FROM GOVERNMENT ON THIS ASPECT OF LAND REFORM. THE PACKERS ARE INCREASINGLY PESSIMISTIC. ALL EXPORT PACKING PLANTS ARE CLOSED OR ON PARTIAL PRODUCTION. IF EXPORT PRICES WERE BETTER THE TOTAL PERD, INCLUDING BREEDING STOCK WOULD BE SHARPLY REDUCED. END LIMITED OFFICIAL USE.
SANCHEZ

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